

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-040  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
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AUDIT REPORT NUMBER

#09-040

40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements .....	6
Report Distribution .....	13



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

DJ Sambucetti, President  
Board of Directors  
40th DAA, Yolo County Fair  
1125 East Street  
Woodland, California 95776

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 40th District Agricultural Association (DAA), Yolo County Fair, Woodland, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 40th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

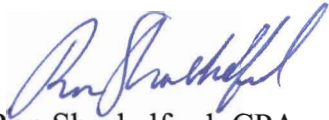
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 40th DAA, Yolo County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 40th DAA, Yolo County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-040, on the 40th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 40th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.



Ron Shackelford, CPA  
Chief, Audit Office

May 29, 2009

**40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION  
Years Ended December 31, 2008 and 2007**

	<b>Account Number</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>			
Cash & Cash Equivalents	111 - 117	\$ 677,037	\$ 525,458
Accounts Receivable, Net	131-133	790	5,706
Land	191	174,214	174,214
Buildings and Improvements, Net	192	945,100	1,020,456
Equipment, Net	193	25,253	30,428
<b>TOTAL ASSETS</b>		<b><u>1,822,394</u></b>	<b><u>1,756,262</u></b>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities</b>			
Accounts Payable	212	19,667	13,532
Current Portion of LT Debt	212.5	9,855	9,305
Taxes Payable	221 - 226	184	4,825
Deferred Income	228	50,590	42,591
Guarantee Deposits	241	-	1,500
Compensated Absences Liability	245	52,345	48,265
Long Term Debt	250	-	9,855
<b>Total Liabilities</b>		<b><u>132,641</u></b>	<b><u>129,873</u></b>
<b>Net Resources</b>			
Reserve for Junior Livestock Auction	251	1,500	1,500
Net Resources - Operations	291	543,685	399,791
Net Resources - Capital Assets, Less Related Debt	291.1	1,144,567	1,225,098
<b>Total Net Resources Available</b>		<b><u>1,689,753</u></b>	<b><u>1,626,390</u></b>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<b><u>\$ 1,822,394</u></b>	<b><u>\$ 1,756,262</u></b>

**40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY  
Years Ended December 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
<b>REVENUE</b>			
State Apportionments	312	\$ 150,000	\$ 150,000
Millennium Project & Other Capital Projects	313-340	19,459	49,116
Commercial Space	415	87,866	80,916
Carnival	421	183,285	170,301
Concessions	422	158,590	166,736
Exhibits	430	12,747	8,694
Horse Show	440	-	31,508
Attractions - Fairtime	460	95,793	103,121
Miscellaneous Fair	470	59,938	61,919
Miscellaneous Non Fair	47005	-	4,017
Non-Fair Revenue	480	311,993	274,626
Prior Year Adjustment	490	-	6,978
Other Revenue	495	16,978	20,149
<b>Total Revenue</b>		<u><b>1,096,650</b></u>	<u><b>1,128,081</b></u>
<b>EXPENSES</b>			
Administration	500	291,299	312,809
Maintenance and Operations	520	384,237	393,945
Publicity	540	11,711	10,702
Attendance	560	74,629	78,292
Miscellaneous Fair	570	25,399	23,119
Miscellaneous Non Fair	57005	-	4,392
Premiums	580	24,950	26,272
Exhibits	630	40,151	37,296
Horse Show	640	2,955	33,747
Attractions - Fairtime	660	74,245	63,815
Prior Year Adjustments	800	3,726	(3,253)
Cash Over/Short from Ticket Sales	850	(6)	1
Depreciation Expense	900	86,026	84,927
Other Operating Expense	945	13,964	30,926
<b>Total Expenses</b>		<u><b>1,033,286</b></u>	<u><b>1,096,990</b></u>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		63,364	31,091
Resources Available, January 1		1,626,390	1,595,299
<b>Resources Available, December 31</b>		<u><b>\$ 1,689,753</b></u>	<u><b>\$ 1,626,390</b></u>

**40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
Years Ended December 31, 2008 and 2007**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 63,364	\$ 31,091
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	4,916	1,642
Increase (Decrease) in Deferred Income	7,999	12,300
Increase (Decrease) in Taxes Payable	(4,641)	(264)
Increase (Decrease) in Current Portion of LT Debt	550	9,305
Increase (Decrease) in Accounts Payable	6,135	10,147
Increase (Decrease) in Compensated Absence Liability	4,080	(20,562)
Increase (Decrease) in Guarantee Deposits	(1,500)	1,500
Total Adjustments	<u>17,540</u>	<u>14,069</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>80,903</b></u>	<u><b>45,160</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Buildings & Improvements	75,356	75,356
(Increase) Decrease in Equipmen	<u>5,175</u>	<u>(24,359)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>80,531</b></u>	<u><b>50,997</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Long-Term Liability	<u>(9,855)</u>	<u>9,855</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>(9,855)</b></u>	<u><b>9,855</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>151,579</b>	<b>106,012</b>
Cash at Beginning of Year	525,458	419,447
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 677,037</b></u></u>	<u><u><b>\$ 525,458</b></u></u>



**40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The 40th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Yolo County Fair each year in Woodland, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no

depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

## NOTE 2

### **NEW ACCOUNTING STANDARDS**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities

to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

**NOTE 3      CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 500	\$ 1,060
Cash in Bank - Operating	30,149	328,654
Cash in Bank - Payroll	20,169	20,633
Cash in Bank - Premium	6,201	6,276
Cash in Bank – Time Deposits	<u>620,018</u>	<u>168,835</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 677,037</u></u>	 <u><u>\$ 525,458</u></u>

**NOTE 4      ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 11,490	\$ 16,406
Allowance for Doubtful Accounts	<u>(10,700)</u>	<u>(10,700)</u>
 Accounts Receivable - Net	 <u><u>\$ 790</u></u>	 <u><u>\$ 5,706</u></u>

**NOTE 5      PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2008</u>	<u>2007</u>
Building & Improvements	\$ 2,978,171	\$ 2,978,171
Less: Accumulated Depreciation	<u>(2,033,071)</u>	<u>(1,957,715)</u>
Building & Improvements - Net	<u><u>\$ 945,100</u></u>	<u><u>\$ 1,020,456</u></u>
 Equipment	 \$ 444,878	 \$ 439,382
Less: Accumulated Depreciation	<u>(419,625)</u>	<u>(408,954)</u>
Equipment - Net	<u><u>\$ 25,253</u></u>	<u><u>\$ 30,428</u></u>

NOTE 6      **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with John Deere to finance a John Deere Tractor Loader for the fairgrounds. The terms of the agreement are as follows:

John Deere Loan:

Loan Amount	\$ 30,494
First Payment Date	January 23, 2007
Payment Amount	\$ 847
Duration of Loan	36 Months
Interest Rate	5.75%
Total Outstanding at 12/31/08	\$ 9,855
Current Portion at 12/31/08	\$ 9,855
Long-Term Portion at 12/31/08	\$ 0

NOTE 7      **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a

mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8      **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA**

**REPORT DISTRIBUTION**

<b><u>Number</u></b>	<b><u>Recipient</u></b>
1	President, 40th DAA Board of Directors
1	Chief Executive Officer, 40th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office



CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA

MANAGEMENT REPORT #09-040

YEAR ENDED DECEMBER 31, 2008

40TH DISTRICT AGRICULTURAL ASSOCIATION  
YOLO COUNTY FAIR  
WOODLAND, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2008

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MANAGEMENT REPORT NUMBER  
#09-040

**TABLE OF CONTENTS**

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS .....	3
Depositing of Carnival Revenue .....	3
NON-REPORTABLE CONDITIONS .....	4
Unrecorded Liabilities.....	4
Compensated Leave Liability.....	4
Independent Contractors .....	4
Cash Receipts .....	5
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE.....	6
CDFA EVALUATION OF RESPONSE.....	8
DISPOSITION OF AUDIT RESULTS.....	9
REPORT DISTRIBUTION .....	10



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

DJ Sambucetti, President  
Board of Directors  
40th DAA, Yolo County Fair  
1125 East Street  
Woodland, California 95776

In planning and performing our audit of the financial statements of the 40th District Agricultural Association (DAA), Yolo County Fair, Woodland, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Yolo County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 40th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 40th DAA's assets. The system of internal control



should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 40th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 40th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 40th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 40th DAA and compliance with state laws and regulations, we identified one area with a reportable condition that is considered a weakness in the Fair's operations: depositing of carnival revenue. We have provided one recommendation to improve the operations of the Fair. The Fair must respond in writing on how this recommendation will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 40th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

## REPORTABLE CONDITIONS

### DEPOSITING OF CARNIVAL REVENUE

Our office noted weaknesses in internal controls over cash receipts collected during fairtime that exposed the Fair to financial loss. Based on a review of related source documents, we noted the Fair did not properly deposit cash receipts collected from carnival revenue totaling \$24,000. The Fair instead utilized \$24,000 of carnival revenue to replenish the Automated Teller Machine (ATM) located on grounds. The State Administration Manual (SAM) 8032.4, Coin and Currency states, "Agencies will not disburse or withhold receipts for the purpose of establishing or augmenting an over-the-counter change fund." Good accounting controls dictate that revenue should be receipted and deposited to help minimize the possibility of any misappropriation of funds.

#### *Recommendation*

- 1. The Fair should comply with SAM 8032.4 and improve internal controls over the revenue it earns during fairtime by ensuring all cash receipts are deposited intact and not used to augment its ATM.*

## NON-REPORTABLE CONDITIONS

### UNRECORDED LIABILITIES

The Fair did not accrue all known payables in the general ledger at year-end. After examination of the cash disbursements journal for January 2009, we noted that the fair had not properly accrued liabilities for year-end 2008 totaling \$4,960. All known payables, including estimates of telephone, gas, retirement, and electric bills for the month of December, should be included. The purpose of accruing payables at fiscal year-end is to reflect expenses in the proper year.

#### *Recommendation*

*Accounts payable at year-end should include all known payables, including estimates of telephone, gas, and electric bills. Such estimates should be made even though billings have not yet been received.*

### COMPENSATED LEAVE LIABILITY

The Fair allowed one employee to exceed the maximum hours allowed for accrual for vacation. This employee had a year-end vacation balance of 931.80 hours. The Department of Personnel Administration limits the number of vacation hours that permanent employees may carry over to the following calendar year to a maximum of 640 hours. It should be noted that, in 2009, the Fair has made efforts to allow the employee days off in order to reduce the related excessive vacation hour balance. The Fair indicated that another complication in reducing the excessive hours was the unanticipated implementation of mandatory furlough days.

#### *Recommendation*

*The Fair should continue working with the employee and accommodating the necessary days off in order to comply with DPA's maximum accrual limitation of 640 vacation hours in a calendar year.*

### INDEPENDENT CONTRACTORS

A review of the Standard 210 Agreements revealed that the Fair did not complete the required Employment Development Department (EDD) DE 542 form for independent contractors. The Fair is required to report to EDD within 20 days of paying or contracting for \$600 or more with an independent contractor in any calendar year by submitting Form DE 542. According to EDD, any business or government entity that is required to file a federal Form 1099-MISC for services received from an independent contractor is required to report specific independent contractor information to EDD. This information is used by EDD to locate parents who are delinquent in their child support obligations.

*Recommendation*

*The Fair should comply with the State Senate Bill 542 that requires entities to report specified information to EDD on independent contractors within 20 days of either making payments totaling \$600 or more or entering into a contract in any calendar year, whichever is earlier, to avoid penalty for failure to comply within the required timeframe.*

**CASH RECEIPTS**

The Fair did not always deposit cash receipts in a timely manner. The Division of Fairs & Expositions (F&E) Accounting Procedures Manual (APM) requires the Fair to make daily deposits whenever currency exceeds \$500, or when the aggregate cash exceeds \$5,000. Furthermore, no collection may remain undeposited for more than 15 working days. Our office noted that the Fair allowed six deposits exceeding the currency limitation to remain undeposited for up to three days. This was a prior year audit finding.

*Recommendation*

*The Fair should ensure they deposit cash receipts within the timeframes specified in the F&E APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.*



**DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE**



State of California

# 40<sup>th</sup> District Agricultural Association

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August 12, 2009

CDFA Audit Office  
1220 N Street, Room 344  
Sacramento, Ca 95814

Subject: Written Response to 2008 Audit

Reportable Conditions

## DEPOSITING OF CARNIVAL REVENUE:

1. Even though I feel there is a safety issue I will comply with The State Administration Manual 8032.4 and Deposit all cash received from our Carnival in its' entirety
2. I feel that the SAM is outdated and does not take into consideration the danger involved with transporting large sums of cash to and from the fairgrounds. We do not have access to armored cars in our area.
3. Our fair has need of this cash for our ATMS and it only makes sense to use what we have on hand, rather than risking transport of this cash.
4. Following the Manual puts me at risk both when I deposit the carnival cash and when I in turn have to purchase ATM cash.
5. I keep immaculate records of the transactions from carnival to ATM and as CEO I am the only one who handles this cash.
6. I would hope this information would be considered in the future.

Respectfully submitted

  
Donald Sambucetti  
Board President

  
Rita Moore  
CEO

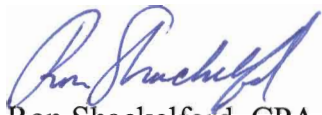
**CDFA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the 40th DAA , Yolo County Fair, for their review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.

### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between May 4, 2009 and May 29, 2009. My staff met with management on May 29, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "Ron Shackelford".

Ron Shackelford, CPA  
Chief, Audit Office

May 29, 2009

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	President, 40th DAA Board of Directors
1	Chief Executive Officer, 40th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office